

Chapter 5

EXAMINATION OF SAMPLE CASES RELATED TO FORENSIC ACCOUNTING INVESTIGATIONS CARRIED OUT BY THE CAPITAL MARKETS BOARD IN TURKEY

Murat GENÇ¹

Introduction

Investigative accounting is, in the general sense, related to research studies involving the investigation and analysis of punitive accounting records and reports. The duty area of investigative accounting covers theft by employees, securities fraud, insurance fraud, unlawful commissions and illegal incomes etc. Certified Fraud Examiners (CFE) are professionals who particularly work in the areas of prevention, identification and examination of misconduct. Besides, Certified Public Accountants (CPAs) are accountants who examine financial documents related to fraudulent acts and the evidences thereof and thus try to reveal the facts.

Another area of expertise of the CFEs is Forensic Accounting. In fact, forensic accounting and investigative accounting are areas of activity which are within each other and serve for the same purpose. Forensic accounting is “an intuitive approach adopted in using investigative techniques, integrating with accounting and trade skills, developing ideas and concepts for their utilization for testimony at courts and by expert witnesses, solving complex financial puzzles, investigating corruption, deciding on damages, identifying the value of the company and solving other financial discussions” (Akyel, 2009:67). CFEs or forensic accountants should be knowledgeable with many areas. Oyedokun (2016) suggests that their supervision skills are of great importance by virtue of their qualifications in gathering and verifying information. Well-educated forensic accountants or fraud examiners properly and correctly analyze the information they have gathered and provide sound evidences regarding the cases they are working on. Skills of forensic accountants or fraud examiners in interviews and interrogations help them beyond their knowledge on investigation, and particularly with the support of their knowledge on law and criminology, reveal the irregular acts. Knowledge on accounting also assist forensic accountants or fraud examiners in the identification of irregularities and deceits by experts. It is the accounting knowledge of the expert which discloses whether the cause of a litigious financial incident is in fact a bankruptcy or it is related to embezzlement or the reason behind the incident is laundering. An accountant who researches or attempts to gather information on fraud and irregularity is also expected to have

¹ Dr, Zonguldak Bülent Ecevit University, Faculty of Economics and Administrative Sciences, Department of Accounting and Finance, murat.genç@beun.edu.tr

Upon the examination performed by the CMB on O. Tekstil Sanayi ve Ticaret A.S., it is determined that, even though the company could not collect its outstanding receivables from T. Tekstil Pazarlama Dis Tic. A.S., it sold goods with a value of 1.562.000 New Turkish Liras to T. Tekstil to the credit of the current account on 31.12.2007. The company made funds available to its group companies from its resources over a interests rates lower than the precedents in 2003, and went through a capital loss by means of under-assessed interest of 447.240 New Turkish Liras. It is also determined that the amount of 3.086.957,63 New Turkish Liras recognized in the account of advances given to suppliers did not reflect the truth or, in other words, was uncovered (CMB, 2008/18:6).

In consequence of the audit performed by the CMB in relation to S. Pazarlama Sanayi ve Ticaret A.S., fraudulent and misrepresented accounting transactions related to collusive sales performed for the purposes of fictively increasing the company's profit between the company and A. Turizm and Tekstil Sanayi A.S. and C. Bagcilik Tarım Urunleri Sanayi ve Ticaret A.S. in the period of 2003-2005. It is determined that, in consequence of the mentioned transactions, the profit was fictively increased in the amount of at least 778 thousand 231.88 New Turkish Liras in 2003, at least 628 thousand 215,43 New Turkish Liras in 2004, and at least 215 thousand 920,90 New Turkish Liras in 2005. Furthermore, the company was put through a loss of 427 thousand 300 New Turkish Liras on the basis of a false document and invoice obtained from M. Otomotiv Sanayi ve Ticaret Limited Sirketi without any flow of goods or services.

The company was also put through a loss of 57.045,75 New Turkish Liras as of 31.12.2005 due to non-application of interest accrual on the company's receivables following the assignment to C. Bagcilik in 2005. It is further determined that, due to the funds made available to N.G., a shareholder of the company, without obtaining any benefit in return, the company suffered a loss of 292 thousand 814 New Turkish Liras as of December 31, 2005. It is understood that the company hid the capital losses by means of manipulative and fraudulent transactions, and showed its financial position better than it actually was.

The legal arrangements made after accounting incidents starting from the beginning of the two thousand years, especially the necessity of independent auditing for the enterprises subject to the CMB of Turkey has been influential in the decline of the judicial incidents mentioned above over the years. However, it can be said that the financial events that cause the accounting investigations are confidential, especially by the company managers, and therefore it is not easy to reveal the events.

References

- 6362 sayılı "Sermaye Piyasası Kanunu"
ACFE (2016). Report to the nation on occupational fraud and abuse. <http://www.acfe.com>
Akyel, N. (2009). Adli muhasebecilik ve Türkiye'de uygulanabilmesi için altyapı bileşenlerinin mevcut durumu, değerlendirilmesi ve öneriler. Yayınlanmamış Doktora Tezi. Sakarya Üniversitesi SBE
BİST (2017). Şirket haberleri arşiv. <http://www.borsaistanbul.com/veriler/verileralt/sirket-haberleri-arsiv>

Economic And Administrative Sciences Volume II

- Çabuk, A. , Yücel, E . (2012). Adli muhasebecilik mesleği ve Türkiye’de uygulanabilirliğine yönelik bir araştırma. Muhasebe ve Finansman Dergisi, (54), 27-50.
- Golden, T.W., Skalak, S. L., Clayton, M. M. (2006). A guide to financial accounting investigation, Canada: John Wiley & Sons, Inc.
- Oyedokun, G. (2016). Forensic accounting investigation techniques: any rationalization?. <http://dx.doi.org/10.2139/ssrn.2910318>
- Pamukçu, A. (2017). Adli muhasebe ve bağımsız denetim sürecine etkisi. Öneri Dergisi, 12 (48), 227-244. Doi: 10.14783/maruoeneri.vi.331672
- Pazarçeviren, S.Y. (2005). Adli muhasebecilik mesleği. ZKÜ Sosyal Bilimler Dergisi, 1 (2), 1-19.
- Reuter, P. , Truman, E. M. (2004). Chasing dirty money: the fight against money laundering, Washington: Peterson Institute for International Economics.
- SPK (1997). SPK haftalık bülten 27. <http://www.spk.gov.tr/Bulten/Goster?year=1997&no=27>
- SPK (1997). SPK haftalık bülten 28. <http://www.spk.gov.tr/Bulten/Goster?year=1997&no=28>
- SPK (1997). SPK haftalık bülten 37. <http://www.spk.gov.tr/Bulten/Goster?year=1997&no=37>
- SPK (1999). SPK haftalık bülten 36. <http://www.spk.gov.tr/Bulten/Goster?year=1999&no=36>
- SPK (2000). SPK haftalık bülten 39. <http://www.spk.gov.tr/Bulten/Goster?year=2000&no=39>
- SPK (2002). SPK haftalık bülten 4. <http://www.spk.gov.tr/Bulten/Goster?year=2002&no=4>
- SPK (2002). SPK haftalık bülten 42. <http://www.spk.gov.tr/Bulten/Goster?year=2002&no=42>
- SPK (2002). SPK haftalık bülten 48. <http://www.spk.gov.tr/Bulten/Goster?year=2002&no=48>
- SPK (2003). SPK haftalık bülten 53. <http://www.spk.gov.tr/Bulten/Goster?year=2003&no=53>
- SPK (2008). SPK haftalık bülten 16. <http://www.spk.gov.tr/Bulten/Goster?year=2008&no=16>
- SPK (2008). SPK haftalık bülten 35. <http://www.spk.gov.tr/Bulten/Goster?year=2008&no=35>